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No. 01-1015

Supreme Court, U.S.
FILED
JUL 24 2002
OFFICE OF THE CLERK

In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit

PETITIONERS' BRIEF ON THE MERITS

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63 pp

QUESTION PRESENTED

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read in pari materia with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act.

PARTIES TO THE PROCEEDING

Petitioners

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (of which they are co-owners and sole proprietors) having their principal office and place of business in the Western District of Kentucky. Petitioners were the Defendants in the District Court, and the Defendants-Appellants in the Court of Appeals for the Sixth Circuit.

Respondents

Respondents, V Secret Catalogue, Inc.; Victoria's Secret Stores, Inc.; and Victoria's Secret Direct, LLC (formerly Victoria's Secret Catalogue, Inc.) are a group of wholly-owned subsidiaries of Intimate Brands, Inc., a publicly held Delaware corporation. Respondents are "related compan[ies]" as that term is defined in Lanham Act § 45, 15 U.S.C. § 1127. Respondents were the Plaintiffs in the District Court, and the Plaintiffs-Appellees in the Court of Appeals for the Sixth Circuit.

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OPINIONS AND ORDERS BELOW

This Court's order granting certiorari is published at 70 U.S.L.W. 3639, 2002 U.S. LEXIS 2357 (April 15, 2002).

The opinion of the United States Court Of Appeals for the Sixth Circuit is reported at 259 F.3d 464, and is reproduced in the Appendix to the Petition for Certiorari ("Pet. App."), at 1a-27a. The Sixth Circuit's order denying a timely petition for rehearing and suggestion for rehearing en banc is unreported at present, and is reproduced at Pet. App. 43a.

The opinion and order of the United States District Court for the Western District of Kentucky is reported only at 54 U.S.P.Q.2d 1092, and is reproduced at Pet. App. 28a-42a.

JURISDICTION

The opinion of the United States Court Of Appeals for the Sixth Circuit was filed on July 30, 2001. That court denied a timely petition for rehearing and suggestion for rehearing en banc on October 4, 2001. The petition for a writ of certiorari was filed on January 2, 2002. This Court granted the petition for writ of certiorari on April 15, 2002.

The court of appeals had jurisdiction under 15 U.S.C. § 1121 and 28 U.S.C. § 1291. The district court's jurisdiction was based on 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331 and 1338(a) and (b).

This Court's jurisdiction is based on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Lanham Act Section 43(c)(1), 15 U.S.C. § 1125(c)(1) ("§43(c)(1)"), enacted by the Federal Trademark Dilution Act ("FTDA"), provides in relevant part (emphasis added):

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution* of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . .

Lanham Act Section 45, 15 U.S.C. § 1127, enacted by the FTDA, provides in relevant part (emphasis added):

> *Dilution.* The term "dilution" means the *lessening* of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.

Lanham Act Section 32(1), 15 U.S.C. § 1114(1) ("§32"), which sets forth claims for infringement of registered trademarks, provides in relevant part (emphasis added):

> Any person who shall, without the consent of the registrant . . . use in commerce any [registered mark] in connection with . . . any goods or services on or in connection with which such use *is likely to cause* confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act Section 43(a)(1)(A)-(B), 15 U.S.C. § 1125(a)(1)(A)-(B) ("§43(a)"), which sets forth claims for unregistered trademark infringement, federal "unfair competition" (*i.e.*, false suggestion of affiliation or sponsorship), and false advertising, provides in relevant part (emphasis added):

> Any person who, or in connection with any goods or services . . . uses in commerce any [mark] which . . . *is likely to cause* confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval or his or her goods, services, or commercial activities by another person . . . , shall be liable in a civil action by any person who believes that he or she *is* or *is likely to be* damaged by such act.

STATEMENT OF THE CASE

At the outset, Petitioners state that this is *not* a case about the quality or character – or the source – of the Petitioners' lingerie or other goods. It is a case presenting purely a question of law about the quality and character – and meaning – of the words Congress chose to use in the operative sections of the FTDA. Nevertheless, since Respondents have continuously portrayed Petitioners as purveyors of "adult videos," "sex toys," "adult novelties," and the like (*see* Respondents' Br. in Opp'n to Pet. for Cert. at 2), Petitioners set forth the following Statement of the Case to frame the question presented to this Court.

In late 1997, Petitioner Victor Moseley became unemployed. Joint Appendix ("JA") 40. With Victor's unemployment benefits nearly exhausted, he and his wife, Petitioner Cathy Moseley ("the Moseleys") decided to open their own business. JA 40-41. In early February 1998, using savings and personal credit cards as capital, the Moseleys opened a gift and novelty shop in a strip mall in Elizabethtown, Kentucky. JA 42-44.

Because they wanted to keep their new business secret from Victor's most recent employer, the Moseleys named their business "VICTOR'S SECRET." JA 131.

Consistent with their slogan "Everything for Romantic Encounters" (*see* R. 28, Exh. 10), the store (roughly 1200 square feet in size) displays and sells a wide variety of items, including lingerie, jewelry, incense, lycra dresses, leather outfits, and accessories. A portion of the store's inventory is adult videos and novelties (JA 43-49, 127-30), which are kept in a restricted 8 by 10 foot room at the back of the store. JA 49. Nothing in the Record indicates that Petitioners have ever been accused by law enforcement officials of selling "illegal" or "obscene" items.

The Moseleys advertised the opening of their store in local newspapers (JA 58), and also in "Inside The Turret," the newspaper of nearby U.S. Army base Fort Knox. *See* JA 209. The ad in The Turret caught the attention of Col. John E. Baker in the Judge Advocate General ("JAG") corps. *See* JA 208-11. There is no evidence in the Record that Col. Baker ever visited the Moseleys' store. Nevertheless, he contacted and faxed the ad on JAG stationery to the corporate headquarters of Victoria's Secret. JA 188-89, 210. On February 25, 1998, counsel for Respondents sent the Moseleys a cease-and-desist letter, asserting that the Moseleys' use of "VICTOR'S SECRET" violated Respondents' rights in their federally registered mark VICTORIA'S SECRET® and also diluted the VICTORIA'S SECRET® mark. JA 11-12. After receipt of that letter, the Moseleys changed their business name to VICTOR'S LITTLE SECRET and added a design, a pair of lips with an index finger pressed thereagainst, as if to say "shhh." The revised business name appeared as follows:

VICTOR'S LITTLE SECRET

See R. 28, Exh. 10. On the exterior sign of the Moseleys' store, the lips (and the word "LITTLE") appear approximately four feet across. R. 28, Exh. 11.

The change to VICTOR'S LITTLE SECRET was not acceptable to Respondents, who on June 22, 1998 sued the Moseleys in U.S. District Court for the Western District of Kentucky. JA 15-28. The complaint asserted four causes of action: [1] infringement of Petitioners' registered trademarks under §32 of the Lanham Act; [2] violation of §43(a) of the Lanham Act; [3] *pertinent to the question presented here*, dilution of the famous VICTORIA'S SECRET mark under the §43(c)(1) of the FTDA; and [4] unfair competition and infringement of Respondents' common law rights in and to the mark VICTORIA'S SECRET. *Id.*

After discovery, the Moseleys moved for summary judgment on all counts of the Complaint. R. 28. Respondents cross-moved for summary judgment only on Count III, the FTDA count, thereby manifesting the parties' agreement that no issue of material fact existed regarding FTDA dilution. R. 32. Of particular pertinence to the certified question under the FTDA here, the Moseleys noted the absence of any record evidence that their use of VICTOR'S LITTLE SECRET had caused actual damages to Respondents.[1] Respondents did not argue on summary judgment that there were issues of fact regarding actual harm to the VICTORIA'S SECRET mark.

The district court granted summary judgment in favor of the Moseleys on the federal trademark (§32) claim, the federal unfair competition/false designation of origin (§43(a)) claim and the common law claims. The district

[1] Indeed, deposition testimony of Respondents' witnesses established the contrary. *See* JA 105-06, 112, 114.

court held that the evidence presented showed that the Moseleys' use of VICTOR'S LITTLE SECRET compared to Respondents' VICTORIA'S SECRET mark was not likely to cause confusion, mistake, or deception. Pet. App. 36a-37a. However, the district court ruled against Petitioners and in favor of Respondents on the dilution count. The district court held that VICTOR'S LITTLE SECRET diluted the VICTORIA'S SECRET mark, both by blurring and by tarnishment. Pet. App. 38a-39a. The district court held that VICTOR'S LITTLE SECRET was "sufficiently similar" to VICTORIA'S SECRET to dilute by blurring. Pet. App. 39a. As for dilution by tarnishment, the district court agreed that the Moseleys' inventory was non-confusing compared to Respondents' goods, but (as urged by Respondents), characterized the Moseleys inventory as including "adult videos," "sex toys" and "adult novelties." *Id.* Without further elaboration, and without citation to any Record evidence, the district court concluded that the Moseleys' inventory, while "not . . . unsavory to all," had a "more risque" quality that "widely differentiates" it from the goods of Respondents, and enjoined the Moseleys from using VICTOR'S LITTLE SECRET "or any similar mark" because it "causes dilution of the distinctive quality" of Respondents' VICTORIA'S SECRET mark. Pet. App. 41a-42a.

The Moseleys appealed the district court's decision to the Court of Appeals for the Sixth Circuit; Respondents did not cross-appeal.[2] On appeal, the Moseleys argued that the inability of Respondents to present evidence of actual

[2] This means that the district court's summary judgment on the §32, §43(a) and common law counts, that VICTOR'S LITTLE SECRET does not cause a likelihood of confusion, mistake, or deception when compared to VICTORIA'S SECRET, constitutes conclusive "law of the case" and is no longer in issue in this case.

harm entitled them to judgment as a matter of law under *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (CA4 1999), *cert. denied*, 528 U.S. 923 (1999) ("*Ringling Bros.*"). R. 6/12/00 (CA6), Proof Brief of Appellant at 6, 13, 19-21. Respondents principally argued[3] that such proof was not necessary for dilution relief, citing *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (CA2 1999) ("*Nabisco*"). R. 7/10/00 (CA6), Proof Brief of Appellee at 33-35.

The Sixth Circuit, while acknowledging that a "split" exists among the Circuit Courts which had addressed the issue, rejected the Fourth Circuit's holding in *Ringling Bros.* Pet. App. 23a-25a. Instead, the court followed the Second Circuit's holding in *Nabisco*, which indulges in a presumption that there will be future harm to the senior mark and therefore merely requires proof of "likelihood of dilution". *Id.* The Sixth Circuit held there was "sufficient similarity" (Pet. App. 14a, n.3) between VICTOR'S LITTLE SECRET and VICTORIA'S SECRET to "conjure an association" (*id.*), which led the Sixth Circuit to an "inference of likely harm" (Pet. App. 25a). The Sixth Circuit therefore affirmed the injunction based on dilution by both blurring and tarnishment (Pet. App. 26a-27a).

The Moseleys filed a timely petition for rehearing and a suggestion of en banc review, which was denied on

[3] Respondents did argue that, if actual harm was necessary, the (single, contested, *see* R. 34 at 7-9) affidavit of Col. Baker showed sufficient actual harm. However, the district court declined to consider that affidavit and others (Pet. App. 29a), so it and the other contested affidavits were not properly before the Sixth Circuit. Respondents also argued that the district court's finding of tarnishment established actual harm, *ipso facto*. The Sixth Circuit, however, noted that the district court's analysis was "truncated" (Pet. App. 15a), and "harm" formed no part of its decision.

October 4, 2001. (Pet. App. 43a). Thereafter, the Moseleys filed their Petition for Writ of Certiorari on January 2, 2002, which this Court granted on April 15, 2002.

SUMMARY OF THE ARGUMENT

To properly decide the certified question, the FTDA must be viewed in historical and chronological context. Although the FTDA is part of the Lanham Act dealing with trademarks, the concept of "dilution" is not founded on traditional trademark principles; rather, dilution is a property right created by statute.

Trademark law is part of the law of unfair competition, grounded in the common law tort of deceit. The premise of trademark law is to protect consumers from a merchant passing his goods off as those of another by use of a confusingly similar mark. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 402 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). Trademark rights do not and cannot exist "in gross" apart from such goodwill, and a trademark cannot confer any property right or "monopoly" in its terms. *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924).

The Lanham Act (15 U.S.C. § 1051 *et seq.*), which created a federal cause of action for infringement of a registered mark, was enacted in 1946 before there were any state dilution statutes. In enacting the Lanham Act, Congress chose the standard *likely to cause* to impose liability for infringement, in §32 and §43(a).

Dilution has no basis or foundation in the common law. The dilution concept has its genesis in a 1927 law review article by Prof. Frank Schechter. Prof. Schechter's dilution concept was considered radical, and no statute has ever embraced it; even the first state dilution statute, 20 years after the law review article, did not fully adopt Prof. Schechter's dilution rationale. Unlike the legal

premise for traditional trademark rights (which protect the consumer's expectation that the trademark functions as a symbol of source ownership), "dilution" rights protect the mark itself and/or its owner, without regard to whether confusion is present. Virtually all state dilution statutes impose dilution liability based on *likelihood* of dilution, as does the RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25.

In 1995 as it considered the FTDA, Congress was aware: that the Lanham Act imposed liability for trademark infringement based on a *likelihood* of confusion (§32); that the Lanham Act imposed §43(a) liability also based on a *likelihood* of confusion; that Lanham Act § 43(a) authorized a civil action for one who believed he *is* or *is likely to be* damaged by a certain mark; that state dilution statutes imposed dilution liability based on a *likelihood* of dilution; that the RESTATEMENT (THIRD) OF UNFAIR COMPETITION also assessed liability for state-law dilution under a *likelihood* of dilution; and that Prof. Schechter urged dilution legislation to protect against "the gradual whittling away" of a trademark's distinctiveness, but no statute had ever adopted that rationale.

In this context, Congress authorized injunctive relief under the FTDA if a challenged mark *causes dilution*. Congress' use of the term *causes dilution* was deliberate, and cannot reasonably be interpreted (as did the Sixth Circuit below) as intending to impose dilution liability based on a *likelihood of dilution*. This Court's "plain meaning" rule must operate to hold that Congress meant what it said when it used *causes dilution* in §43(c)(1). *Lake County v. Rollins*, 130 U.S. 662 (1889); *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985). The plain meaning of *causes* is "To be the cause or occasion of; to bring into existence; to make; To induce; to compel." BLACK'S LAW DICTIONARY 278 (4th ed. 1968); "To bring

about or effect." BLACK'S LAW DICTIONARY 213 (7th ed. 1999). This is what Congress meant when it wrote "causes dilution" into §43(c)(1) of the FTDA.

When Congress creates a property right in other intellectual property contexts (*e.g.*, patent or copyright), that right must be limited in time under Article I, § 8, cl. 8 of the Constitution. In contrast, the dilution right of the FTDA is unlimited as to time. As such, the FTDA must be applied in a manner avoiding a "patent in a word," as well as consistent with First Amendment concerns, to avoid an anti-competitive statute.

The Fourth Circuit in *Ringling Bros.*, by interpreting the FTDA's term *causes dilution* to require "proof of actual consummated harm" to the famous trademark, struck the proper balance between free competition, the public and a trademark owner's rights. This creates an objective standard which is predictable and adheres to this Court's plain meaning rule. *Accord*, *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (CA5 2000) ("*Westchester*").

In contrast, the Second Circuit in *Nabisco* held that "it seems plausibly within Congress' meaning to understand the statute as intending to provide for an injunction to prevent harm before it occurs." This is error and an assault on the actual language ("causes dilution") of the FTDA. *Nabisco* violates this Court's plain meaning rule, is unavoidably *un*predictable, and invites the mischief of subjective jurisprudence. Below, the Sixth Circuit took that error even further, allowing an injunction based on an "inference of likely harm."

The proper interpretation of the FTDA is to require proof of actual harm to the famous mark as a prerequisite to FTDA relief. Pejorative characterization of Petitioners' inventory as "sex toys" and the like should not substitute

for the legal proof required by the *causes dilution* term of §43(c)(1) of the FTDA. Accordingly, the judgment of the Sixth Circuit should be reversed.

ARGUMENT

I. IN THE FTDA, CONGRESS ESTABLISHED A STATUTORY PROPERTY RIGHT, UNLIMITED IN TIME, IN FAMOUS TRADEMARKS, RADICALLY DIFFERENT FROM RIGHTS TRADITIONALLY RECOGNIZED UNDER THE LAW OF TRADEMARKS.

A. TRADITIONAL TRADEMARK LAW, GROUNDED IN THE COMMON LAW TORT OF DECEIT, PROTECTS CONSUMERS FROM SOURCE CONFUSION, WHILE AVOIDING MONOPOLIES ON THE USE OF WORDS.

In *Hanover Star Milling Company v. Metcalf*, 240 U.S. 403, 412-13 (1916), this Court instructed that the purpose of trademark law is to protect the goodwill of the business signified by the trademark against deceptive uses for like goods: "The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another." Two years later, in *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918), this Court rejected the postulation that "a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention." This Court reasoned that "There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed." *Id.*

Moreover, in *Rectanus* this Court warned against anti-competitive uses of trademarks: "The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly. [Citation omitted.] In truth, a trade-mark

confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol – a commercial signature – upon the merchandise or the package in which it is sold." *Id.* at 98. In *Prestonettes, Inc. v. Coty,* 264 U.S. 359, 368 (1924), Justice Holmes, writing for this Court, explained this limited scope of protection afforded by trademark law: "It does not confer a right to prohibit the use of the word or words. It is not a copyright. . . . A trade mark only gives [the] right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his."

This Court in *Hanover Star* stated that the common law of trademarks is but a part of the broader law of unfair competition. 230 U.S. at 413. In turn, the law of unfair competition "has its roots in the common-law tort of deceit: its general concern is with protecting *consumers* from confusion as to source." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989). Indeed, one commentator has written that the consumer protection model is the *only* rational basis for trademark protection. *See* Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 852 (1997) ("KLIEGER").

B. THE DILUTION CONCEPT, FIRST PROPOSED IN THE 1920S, IS GROUNDED IN A STATUTORILY-CREATED PROPERTY RIGHT "IN GROSS" IN TRADEMARKS AKIN TO THE PRINCIPLES OF "PROPERTY" PER SE.

In the late 1920s, the concept of trademark "dilution" (as distinct from trademark infringement) was suggested in a law review article by Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) ("SCHECHTER"). Schechter argued that "the preservation of the uniqueness of a trademark . . . constitutes the only rational basis for its protection," and that "dilution" of a trademark's uniqueness (from which it derived its advertising value and selling power) should be prohibited. SCHECHTER at 831. Schechter argued that the law should protect against "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825.

Commentators have recognized Schechter's dilution concept as akin to a property right in gross, in the nature of trespass to property. *See* Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 961 (2001) ("Since dilution focuses on the marks themselves rather than on consumers, the concept is characterized as more akin to trespass than to consumer protection law"); KLIEGER at 851-64 (Dilution law gives rise to trademark rights in gross, posing an anti-competitive threat to market efficiency and consumer welfare); *see also* 2 JEROME GILSON, TRADEMARK PROTECTION & PRACTICE ("GILSON") § 5.12 [1][a], at 5-227-28 (2001) ("The public policy underlying the Act [FTDA] stands in sharp contrast to that underlying the law of trademark infringement. The [FTDA] protects only a private interest, and a narrow one at that: the distinctiveness of the owner's famous trademark. At least in cases where there is no simultaneous likelihood of confusion, there seems to be no identifiable benefit to the public").

Other commentators have criticized the dilution concept as antithetical to the carefully balanced trademark law principles that foster a free and fair marketplace. KLIEGER at 861 ("Dilution law expressly

reorients trademark law around the protection of the persuasive function of trademarks and, in doing so, upsets trademark law's historic balance between free and fair competition"); Milton W. Handler, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 280-81 (1985) (questioning the rationale of dilution doctrine); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1695-96 (1999) ("Vesting trademarks with the mantle of property ... defeats the purpose of linking trademarks to goods in the first place"); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is A Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 486-87 (1994) (dilution protects trademarks analogous to "copyrightable subject matter," and protects how trademarks are perceived in the minds of consumers, creating "monopolies in ideas in the abstract" and enhancing barriers to new competition in both related and unrelated markets).

C. THE LANHAM ACT, ENACTED IN 1946 AND SUBSTANTIALLY AMENDED IN 1989, IS A FEDERAL CODIFICATION OF THE COMMON LAW OF TRADEMARKS EMPLOYING A "LIKELIHOOD OF CONFUSION" STANDARD FOR TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION LIABILITY.

Congress enacted the Lanham Act in 1946, but *without* Schechter's proposal for protection against trademark dilution. The Lanham Act created a *federal* cause of action for infringement of a registered mark against a challenged mark which "*is likely to cause* confusion, or to cause mistake, or to deceive." §32(1)(a) (emphasis added).

By the Trademark Law Revision Act ("TLRA," Pub. L. No. 100-667, 102 Stat. 3935), Congress amended the Lanham Act in 1988 to expressly include liability for infringement of unregistered marks, as well as false advertising, false designations of origin, and unfair competition. *See* 102 Stat. 3946; §43(a). Here also, Congress employed the phrase "*likely* to cause confusion." *Id.* Congress also provided a civil remedy under §43(a) in favor of any person who "believes he or she *is* or *is likely to be* damaged" by the accused mark. *Id.* (emphasis added).

D. PRE-FTDA STATE DILUTION STATUTES EMPLOY A "LIKELIHOOD OF DILUTION" STANDARD FOR LIABILITY.

Twenty years after Schechter's article and one year after the Lanham Act, Massachusetts enacted the first state dilution statute. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION ["RESTATEMENT (THIRD)"] § 25, comment b, at 266 (1995). Presently, 34 states have enacted dilution statutes.[4] Paul E. Kim, *Comment: Preventing Dilution of the Federal Trademark Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719, 726 n.35 (2001) ("KIM"). Dilution statutes generally protect the commercial value or "selling power" of a mark by prohibiting uses that are *likely* to dilute the distinctiveness of the mark or tarnish the associations evoked by the mark. RESTATEMENT (THIRD) § 25, comment a, at 265; comment f, at 270. Thus, unlike traditional trademark and unfair competition laws aimed at protecting both consumers and trademark owners, dilution

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[4] Kentucky, the forum state of the litigation below, does not have a dilution statute, so this case presents purely federal FTDA questions.

statutes are *only* aimed at protecting famous marks and their owners.

Dilution is purely a creature of statutory creation: "There is no comparable cause of action for trademark dilution at common law." RESTATEMENT (THIRD) § 25, comment a, at 266. Because the FTDA had not been enacted at the time the RESTATEMENT (THIRD) was published, the comments therein on dilution are restricted to *state* dilution laws. In turn, many state dilution statutes are based on or are similar to Section 12 of the 1964 United States Trademark Association (USTA) Model State Trademark Bill, which states (emphasis added): "*Likelihood of . . . dilution* of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION ("MCCARTHY") § 22:8 (2002); 4 MCCARTHY § 24:80 (2002).

The RESTATEMENT (THIRD), published before enactment of the FTDA, also uses the phrase "is likely to" throughout, unlike the later-enacted FTDA. Section 25 of RESTATEMENT (THIRD) ("Liability Without Proof of Confusion: Dilution and Tarnishment") provides, in pertinent part (emphasis added):

> (1) . . . An actor is subject to liability under [a dilution] statute if the actor uses such a designation in a manner that *is likely to associate* the other's mark with the goods, services, or business of the actor and:
>
> > (a) the other's mark is highly distinctive and the association of the mark with the actor's goods, services or business *is likely to cause* a reduction in that distinctiveness; or

> > (b) the association of the other's mark with the actor's goods, services or business, or the nature of the actor's use, *is likely to disparage* the other's goods, services or business *or tarnish* the images associated with the other's mark.

Thus, the RESTATEMENT (THIRD) dilution provision illuminates the difference between the text of state dilution laws and the FTDA.

E. CONGRESS, WHEN AMENDING THE LANHAM ACT IN 1988, CONSIDERED BUT REJECTED A DILUTION PROVISION.

The FTDA was not the first attempt of Congress to enact a federal trademark dilution statute. In the 1988 TLRA, Congress considered, but after much debate, declined to pass a dilution provision as part of the TLRA. It is notable that one of the amendments to the Lanham Act that Congress *did* enact in the TLRA was a revision to §43(a) using the same language as §32 to impose liability (*i.e.*, "*likely* to cause confusion").

By contrast, in 1996 the FTDA legislation was enacted quickly. Only the House issued a report on its version of the bill, after holding brief hearings. *See* House Report 104-374 (Nov. 30, 1995). These hearings were hardly comprehensive, nor did they represent all points of view. *See* KLIEGER at 839 ("[Counsel for Campbell Soup Company and Warner Bros. were] visibly enticed by the promise of corporate windfall, treating dilution doctrine at least implicitly as if it were intended to create trademark rights in gross"). Moreover, the House Subcommittee did not hear from a single trademark scholar or economist. *Id.* The Senate held no hearings on dilution legislation, took up the House bill on a suspension of the rules, and passed

the House bill on a voice vote without debate. BNA's PATENT, TRADEMARK & COPYRIGHT J., Vol. 51, at 336 (January 4, 1996).

F. THE FTDA VASTLY EXPANDS RIGHTS IN A FAMOUS MARK, BEYOND TRADITIONAL TRADEMARK RIGHTS, BUT WITHOUT THE SAFEGUARDS ON MARKETPLACE COMPETITION APPLICABLE TO FEDERAL INTELLECTUAL PROPERTY RIGHTS IN THE PATENT AND COPYRIGHT STATUTES AND IN TRADITIONAL FORMS OF TRADEMARK PROTECTION.

The FTDA added new statutory protection for "famous" trademarks by establishing a cause of action entitling owners of such marks to enjoin other persons' commercial use of a mark or trade name that "causes dilution." Because the FTDA establishes a property right in famous trademarks, apart from the commercial context in which such fame was achieved, the FTDA has been criticized as upsetting the historical role of trademark law in the marketplace by judiciously balancing free competition with the avoidance of consumer confusion. *See* PORT at 447 (proposed FTDA would "create a remedy without a wrong"); KLIEGER at 835 ("[t]he [FTDA], together with the state [dilution] statutes, appears destined to whittle away the traditional basis of trademark protection until trademark rights in gross displace the consumer protection model as the talisman of most trademark actions"); 2 GILSON § 5.12 [1][a], at 5-227-28 ("there seems to be no identifiable benefit to the public"). Viewed in this context, there is fear that the FTDA may lead to a "patent in a word," without any time limitation.

In *Bonito Boats*, this Court suggested that the focus of unfair competition (hence trademark) law is protection not of trademark owners, but of consumers: "While that concern may result in the creation of 'quasi-property rights' in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation." 489 U.S. at 157. This focus is justified because the trademark owner makes no constitutional bargain benefitting the public in exchange for creation and enforcement of exclusive trademark rights accrued, as is the case for patents and copyrights.

As required by the Constitution, exclusive rights in patents and copyrights are limited as to time, so the temporary monopoly is counter-balanced by public and commercial benefits. Article I, § 8, cl. 8, of the Constitution gives Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The subject matter of a patent is disclosed by the inventor to the public, which is free to immediately learn of the invention, then use it after the patent expires. Once a copyrighted work is published, the public has access to it, but cannot reproduce it (aside from "fair use") until the copyright expires.

As this Court recently pronounced in a patent context: "The patent laws 'promote the Progress of Science and useful Arts' by rewarding innovation with a temporary monopoly. U.S. CONST. art. I, § 8, cl. 8. The monopoly is a property right; *and like any property right, its boundaries should be clear.*" *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. ___, 70 U.S.L.W. 4458, Slip. Op. at 5 (May 28, 2002) (emphasis added).

As this Court in *Bonito Boats* explained, "Congress may not create patent monopolies of unlimited duration, nor may it 'authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available'" 489 U.S. at 146 (*quoting Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966)). Likewise, this Court rejected copyright protection for mere "sweat of the brow," if the work is not otherwise of sufficient originality to satisfy the Copyright Clause of the Constitution. *See Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 499 U.S. 340, 352-356 (1991).

In this context, manifestly the judgment below creates a dangerous prospect that famous trademarks will be protected as "rights in gross," unlimited as to time. *See* KLIEGER at 841 (although the FTDA "stops just short of openly endorsing trademark rights in gross, it will inevitably, at least for the category of famous marks that it protects, 'swallow up all competition in the claim of protection against trade name infringement'").

In other contexts, this Court has not hesitated to limit the scope of enforceable trademark rights when the alternative would threaten free competition in the use of trade designations, or to unsettle the balance between trademark protections and the constitutional and/or statutory limitations on other intellectual property protection. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (proscribing "trade dress" protection for design on which patents had expired); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000) (inherent distinctiveness not cognizable for unregistered trade dress embodying product designs); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (registration of color-only trademarks permissible only upon proof of acquired distinctiveness).

II. THIS COURT'S "PLAIN MEANING" RULE MANDATES A SHOWING OF ACTUAL HARM AS A PREREQUISITE TO FTDA RELIEF.

In interpreting the "causes dilution" standard of the FTDA, the courts below held that VICTORIA'S SECRET was diluted by "Victor's Little Secret" despite the lack of proof of actual harm to the economic value of the VICTORIA'S SECRET mark. The Sixth Circuit held that "an inference of likely harm" (Pet. App. 25a) is sufficient to impose an injunction under the FTDA. In so doing, the Sixth Circuit ignored the plain terms of §43(c)(1) that only a mark that "causes dilution" may be enjoined.

For well over a century, this Court's plain meaning rule has required that "[i]f words convey a definite meaning, which involves no absurdity, nor any contradiction of other parts of the instrument, then that meaning, apparent on the face of the instrument, must be accepted." *Lake County v. Rollins*, 130 U.S. 662, 670 (1889). Accordingly, statutory construction focuses on the language Congress enacted. *See Dept. of Housing and Urban Dev. v. Rucker*, 122 S. Ct. 1230, 1233 (2002) (relying on "plain language of the statute"). In selecting the operative words of the FTDA, Congress chose the phrase "causes dilution." The plain meaning of "cause" is: "To be the cause or occasion of; to bring into existence; to make [citations omitted]. To induce; to compel [citation omitted]." BLACK'S LAW DICTIONARY 278 (4th ed. 1968); "To bring about or effect." BLACK'S LAW DICTIONARY 213 (7th ed. 1999).

Pre-FTDA, this Court interpreted the Lanham Act under the plain meaning rule, stating that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning

of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). More recently, in a non-trademark context, this Court stated: "We do not start from the premise that this language is imprecise. Instead, we assume that in drafting this legislation, Congress said what it meant." *United States v. LaBonte*, 520 U.S. 751, 757 (1997).

In *Ringling Bros.*, the Fourth Circuit heeded this Court's oft-stated principles and gave effect to the plain meaning of the operative phrase "causes dilution," holding that proof of actual harm to a mark's selling power is required for relief under the FTDA; in following the Second Circuit's rationale in *Nabisco*, the Sixth Circuit below eschewed those same principles.

A. In The FTDA, Congress Used The Present Tense In Defining Both Dilution ("the lessening of the capacity . . . to identify and distinguish") And The Standard For Liability ("causes dilution").

The text of the FTDA, in plain terms, uses the present tense to state that an injunction may issue only if the commercial use of a trademark "causes dilution." This Court has considered the tense of statutory language in determining the requirements of a statute. *See Sutton v. United Air Lines*, 527 U.S. 471, 482 (1999) ("Because the phrase 'substantially limits' appears in the Act in the present indicative verb form, we think the language is properly read as requiring that a person be presently – not potentially or hypothetically – substantially limited in order to demonstrate a disability").

Likewise, "dilution" also is defined in the present tense as "*the lessening* of the capacity of a mark to identify and distinguish goods or services" (emphasis added). The

term "capacity" is not modified in terms that speak of any "future" capacity. Accordingly, in context "capacity" must be read neutrally as a capacity measured at the time a dilution claim is brought. Note also that the House Report for the FTDA states that dilution "applies when the unauthorized use of a famous mark *reduces* the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374 at 3 (emphasis added). Congress' use of "reduces the public's perception" in the present tense, is consistent with the present tense use of "causes dilution" in §43(c)(1).

Moreover, §43(c)(1) must be read *in pari materia* with other sections of the Lanham Act, namely §32 (15 U.S.C. § 1114) and §43(a). As so read, surely the use of the term "causes" was a deliberate choice in §43(c)(1). Both §32 and §43(a) use the term "likely to cause" in contradistinction to the term "causes." Also, in §43(a), Congress allows relief to one who believes either that he or she "is" or "is likely to be" damaged. This shows that Congress has an understanding of the meaning and efficacy of "likely to cause" as distinct from "causes" in the same statute (the Lanham Act); indeed, in the same *section* of the statute, §43. Thus, it is submitted that it is not proper for the Sixth Circuit below to interpret the FTDA as if Congress had used one phrase (an inference of "likely harm") when in fact it used another ("causes dilution"). A court's responsibility is to apply a statute as written, not to "repair" a statute under the guise of making it consistent with alleged "legislative intent."

B. Congress Deliberately Used The Statutory Phrase "causes dilution" In The FTDA, Departing From The Pre-FTDA "likelihood" Standard For Liability For Federal Trademark Infringement And State Law Dilution.

At the time the FTDA was enacted, 28 states had adopted dilution statutes. *See* Brent G. Seitz, *Case Notes and Comments: The Actual Harm Requirement and the Federal Trademark Dilution Act: Ringling Brothers – Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 10 J. Art & Ent. Law 113, 116 & n.18 (1999) ("Seitz") (*citing* Klieger at n.18). Congress intended the FTDA to stand on its own, apart from the state dilution laws. *See* H.R. Rep. No. 104-374 at 4 ("It is important to note that [the proposed FTDA] would not pre-empt existing state dilution statutes . . . and it is to be expected that [the FTDA] should . . . coexist with state dilution law"). For this reason, the FTDA must be construed independently from court decisions interpreting pre-FTDA state dilution statutes.

The phrase "likely to cause confusion" appears in the text of the pre-FTDA Lanham Act, *see, e.g.*, §§ 32(1)(a), 32(1)(b), and 43(a)(1)(A), demonstrating directly that Congress knows how to use "likely" to impose liability when it so desires. If it desired to apply the same "likelihood" test for dilution as applies to trademark infringement, it could have done so simply by adding the phrase "or to cause dilution" to §43(a)'s existing language "likely to cause confusion. . . . " And as noted *supra*, most dilution statutes employed a "likelihood of dilution" standard for liability at the time the FTDA was enacted. Congress was aware of this, and could have employed the state dilution law phrase "likely to cause dilution" in the newly-enacted §43(c)(1). But Congress did not do either.

Congress' omission of a "likelihood of dilution" standard in the FTDA cannot reasonably be considered a mere oversight.

Because Congress did not employ the "likelihood" standard of other Lanham Act Sections (§§ 32, 43(a)) and also did not expressly preempt the application of state dilution statutes (most of which require only the lesser burden of "likelihood of dilution" for relief), the conclusion is compelled that Congress, in selecting the "causes dilution" standard, deliberately chose to enact a federal statute with a more substantial burden of proof.

Widely-cited commentator, Prof. J. Thomas McCarthy has remarked upon this difference in statutory language, and its departure from state statutory standards for dilution: "The federal Act does not contain the phrase '*likelihood* . . . of dilution' that appears in the 1964 USTA (now INTA) Model Bill and that appears in many state anti-dilution statutes. To obtain an injunction, the federal Act requires proof that the accused use actually 'causes dilution.'" 4 McCarthy § 24:90, at 24-148 (2002). *See also* Klieger at 840 (noting that "[i]n place of the 'likelihood of dilution' language of the state [dilution] statutes, the [FTDA] creates an actual dilution requirement"); Sandra Edelman & Bruce R. Ewing, *The Federal Trademark Dilution Act of 1995: A Litigation Perspective*, 86 Trademark Rep. 485, 496 (1996) (interpreting the FTDA, well before any Circuit Court weighed in on the issue, as requiring that "dilution has occurred" or that a mark "has in fact been diluted").

Under the Lanham Act, an Injunction may issue against trademark infringement based on a presumption of irreparable harm resulting from a finding of likelihood of confusion (§§ 32, 43(a)). There is no warrant to invoke any such presumption of harm in the FTDA, and it is

improper to engraft onto the FTDA the "likelihood of" standard used in trademark litigation. Dilution, based on property principles, is significantly different from trademark infringement and Congress treated injunctive relief *separately* in the text of the FTDA itself, §43(c)(1), stating that an injunction is authorized only if the challenged use "causes dilution."

Previously when Congress has granted broad, property-like rights in the commercial use of a mark, it has used precise statutory terms to do so. *See* Amateur Sports Act of 1978 ("ASA"), 92 Stat. 3045, 3048 (Section 110, 36 U.S.C. § 380, granting the United States Olympic Committee control over commercial use of "Olympic," and prohibiting the use of "Olympic" entirely). In the ASA, Congress also prohibited the use of similar terms "tending" to cause confusion with such terms. *See* ASA Section 110(a)(4). Notably, this requirement of proof only of a tendency to cause confusion was a different (and less demanding) standard than the Lanham Act's "likelihood of confusion" standard for trademark infringement and the FTDA's "causes dilution" standard for dilution.

This Court interpreted the ASA in *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 483 U.S. 522 (1987). This Court noted that, by the terms Congress used in that statute, Congress demonstrated an understanding of the implications of granting property-like rights in commercial designations, to protect against a mere possibility of injury. *Id.* at 539. This Court recognized that Congress' use of the statutory language in the ASA was akin to Schechter's formulation that embodies reduction of distinctiveness. *See id.* ("[Congress] could determine that unauthorized uses, even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks"). Such a recognition in *San Francisco*

Arts does not, of course, command the result that *any* dilution statute enacted by Congress necessarily would incorporate Schechter's formulation. Rather, it underscores that Congress is capable of using precise statutory language to express its legislative intent.

In the FTDA, Congress did not incorporate any language indicating an intent to remedy incipient harm, such as the "likelihood" standard of §§ 32 and 43(a) of the Lanham Act (and most state dilution statutes). Nor did Congress, as it did in the ASA, prohibit any use of "similar" marks that might "tend" to cause confusion, or prohibit *any* use of a class of marks entirely. Rather than choosing language parallel to the pre-FTDA "likelihood" of confusion standard or the ASA "tend" to cause harm standard, Congress used the disparate present tense phrase "causes dilution" in the FTDA. In another context, this Court has considered it important that Congress uses disparate language to create disparate requirements, especially within one statutory scheme. *See Whitman v. American Trucking Ass'ns*, 531 U.S. 457, 467 (2001) ("We have therefore refused to find implicit in ambiguous sections of the [statute] an authorization to consider costs that has elsewhere, and so often, been expressly granted [in the same statute]") (citations omitted).

Likewise, this Court has recently reaffirmed the well-settled principle that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker*, 533 U.S. 167, 173 (2001) (*quoting Bates v. United States*, 522 U.S. 23, 29-30 (1997)). Accordingly, the plain meaning of the statute should be conclusive, except in "rare cases [in which] the literal application of a statute will produce a result *demonstrably at odds* with the intentions of its drafters[.]"

Griffin v. Oceanic Contractors, Inc., 458 U.S. 564, 572 (1982) (emphasis added). Nothing in the legislative history of the FTDA is "demonstrably at odds" with the "causes dilution" standard.

C. In 1999, In The Legislative History Of The Trademark Amendments Act ("TAA"), Congress Acknowledged That Proof Of Actual Harm Is A Precondition For Relief Under The FTDA.

The Seventh Circuit in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466-67 (CA7 2000) noted that the legislative history of the FTDA does not address the issue regarding actual versus likelihood of dilution. This effectively forecloses resort to the FTDA's legislative history to disavow the plain meaning of the phrase "causes dilution" in §43(c)(1).

However, in 1999, only three years after enacting the FTDA, Congress acknowledged awareness of the *Ringling Bros.* "actual harm" requirement enunciated by the Fourth Circuit. The legislative history of the Trademark Amendments Act (TAA) states:

> The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and *has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark.

H.R. Rep. No. 106-250 at 5 (emphasis added). Despite this awareness, Congress did not amend the operative phrase "causes dilution" in §43(c)(1) of the Lanham Act, though it certainly could have done so. Notably, neither the Second Circuit in *Nabisco,* nor the other Circuits which have confronted the *Ringling Bros./Nabisco* conflict, have taken the legislative history of the TAA into account. Had they done so, these courts might well have resolved the issue differently.

D. A "Likelihood of Dilution" Standard Is Unavoidably Unpredictable, Subjective And Vague, While An Objective Actual Harm Standard Is Predictable And In Harmony With First Amendment Concerns.

As interpreted and applied below, the "likelihood of dilution" standard is unavoidably subjective, which lessens predictability in the law. To paraphrase this Court's concerns in *Festo*, "like any property right, [dilution's] boundaries should be clear. . . . A [trademark] owner should know what he owns, and the public should know what he does not." *See* 535 U.S. at ___, Slip Op. at 5.

As interpreted by the Sixth Circuit, the FTDA essentially grants the owner of a famous trademark a monopoly, unlimited in time, on the names and words comprising the famous mark. Such a grant is akin to a patent on words, with the right to exclude all others (whether competitors or not) from commercial use of the term. *See* Comment, *Dilution: Trademark Infringement or Will-O'-The-Wisp?*, 77 Harv. L. Rev. 520, 528 (1964) ("An owner's interest in the distinctiveness of his mark . . . is not only bewilderingly intangible, but must be weighed against countervailing interests in preventing impoverishment of the supply of available marks . . . ."). In this regard, even proponents of dilution laws have advised caution. 4 McCarthy, at 24-114 (4th ed. 1999) ("There is a place in our jurisprudence for a legal remedy to protect strong famous marks from dilution of their distinctiveness. . . . However, this is a potent legal tool, which must be used as a scalpel, not a sledgehammer").

Furthermore, in evaluating laws that restrict the rights of the public to engage in commercial speech, this

Court has been appropriately sensitive to the First Amendment concerns inherent in such legislation. Thus the FTDA must be interpreted and applied in a manner sensitive to First Amendment concerns:

> The [government] must assert a substantial interest to be achieved by restrictions on commercial speech. Moreover, the regulatory techniques must be *in proportion* to that interest. The limitation on expression must be designed *carefully* to achieve the State's goal. Compliance with this requirement may be measured by two criteria: First, the restriction must *directly* advance the state interest involved. . . . Second, if the governmental interest could be served as well by a more limited restriction on commercial speech, the excessive restrictions cannot survive.

Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York, 447 U.S. 557, 564 (1980) (emphasis added).[5]

In the FTDA, the harm Congress sought to remedy was dilution, defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." According to the "causes dilution" text of §43(c)(1), if dilution of a famous mark has not occurred, the trademark owner has not suffered actionable injury, and Congress has not authorized courts to enjoin the use of the allegedly diluting mark. By contrast, the "likelihood of dilution" standard fabricated by the Second Circuit in *Nabisco* (and adopted by the Sixth Circuit below) restricts commercial speech even when there is no actual harm to the trademark owner. Petitioners submit that the *Nabisco*

[5] Though the Fourth Circuit in *Ringling Bros.* did not expressly analyze the First Amendment, its application of the plain meaning of the statute was entirely consistent with it.

standard is an "excessive restriction" on First Amendment rights contrary to this Court's mandate in *Central Hudson*.

III. THE PROPER INTERPRETATION OF "CAUSES DILUTION" UNDER THE FTDA IS TO REQUIRE OBJECTIVE PROOF OF ACTUAL HARM AS A PREREQUISITE FOR RELIEF; A "LIKELIHOOD OF DILUTION" INTERPRETATION DISREGARDS THE PLAIN, UNAMBIGUOUS MEANING OF "CAUSES DILUTION", IS UNPREDICTABLE, AND INVITES THE MISCHIEF OF SUBJECTIVE JURISPRUDENCE.

By its terms, the FTDA authorizes an injunction only if the challenged mark "causes dilution" of the famous mark (§43(c)(1)). However, the Sixth Circuit below ignored the actual words used by Congress in the FTDA, and instead substituted, as the standard, an "inference of likely harm" (Pet. App. 25) to the selling power of the famous VICTORIA'S SECRET mark.

To determine whether another mark "lessens" the "selling power" of a famous mark under the FTDA, a court must consider the relationship between [1] the legal concept of dilution as defined in the FTDA (which does *not* include Schechter's original "whittling away" formulation, or the "likely to cause dilution" standard of the pre-FTDA state dilution statutes); [2] the harm sought to be avoided by the FTDA (*i.e.*, "the lessening of the capacity" to identify and distinguish, set forth in the present tense); and [3] the proof of that harm necessary for relief under the FTDA (also expressed in the present tense as "causes dilution"). Such determination is critical to maintain an appropriate balance between free competition and proper protection of trademarks.

A. The Fourth And Fifth Circuits Correctly Applied The Plain Meaning Of The FTDA's Statutory Language After Considering The History Of The Dilution Concept, State Dilution Statutes, And The FTDA's Actual Language To Arrive At An Objective Standard.

In *Ringling Bros.*, the Fourth Circuit held that dilution under the FTDA consists of a sufficient similarity of marks to evoke in consumers a mental association of those marks *that causes actual harm* to the senior mark's economic value as a product-identifying and advertising agent. 170 F.3d at 453 (emphasis added). The Fourth Circuit's holding is well-grounded in this Court's plain meaning rule. *See* 170 F.3d at 461 n.6 (citing to *Lake County*, *supra*, and holding that §43(c)(1) requires "consummated economic harm" because Congress chose different language "in the face of the obvious centrality of 'likelihood of dilution' provisions in the interpretation and application of state [dilution] statutes for the fifty years of their existence").

Characterizing the legislative record as "meager" and "sparse," the Fourth Circuit considered the background from which the dilution concept emerged. The Fourth Circuit explained that Schechter's "radical" proposal, if fully adopted, would create property rights in gross in so-called "unique" marks, and moreover, that Schechter's proposal had *never* been legislatively adopted by any jurisdiction "in anything approaching that extreme form." *Id.* at 454. The Fourth Circuit concluded that Congress necessarily must have considered those statutes when it enacted the FTDA *without* the "likelihood of dilution" standard.

When considering the discussion of the history of dilution law in the Restatement (Third), the Fourth Circuit gleaned that courts have experienced difficulty with the basic concept of "dilution" usually expressed in state statutes by a "cryptic[ ]" reference to "dilution of the distinctive quality of a mark." *Id.* at 455. The Fourth Circuit attributed this difficulty to the sheer breadth of the Schechter concept, and to the fact that once the dilution concept takes any form *other* than that of Schechter's simple original proposal, it "begins to lose its coherence as a legally enforceable norm." *Id.* at 455-56. In other words, the Fourth Circuit believed that the "likelihood of dilution" standard was so unavoidably subjective it rendered dilution statutes vague and lacking in coherence.

The Fourth Circuit reasoned that the state legislatures evidently were uncomfortable with enacting Schechter's radical proposal into law, as evidenced by the fact that none of the state dilution statutes employed Schechter's formulation. Under Schechter's proposal, the legal harm sought to be prevented was the loss of a trademark's "uniqueness," that is, its "singularity as a word-symbol contrived by its owner from outside the human vocabulary." *Id.* at 455-56 (*quoting* Schechter at 829) (internal quotation marks omitted). The legal cause of that harm was the simple act of "perfect or near-perfect replication of the senior mark by a junior mark." *Id.* at 456. Accordingly, under Schechter's model, the *only* proof required to establish dilution would be the simple fact of replication of the protected mark by the junior mark.

By contrast to the Schechter approach, the Fourth Circuit explained, the state statutes typically proscribed use of marks that created a "likelihood of . . . dilution of the distinctive quality of a [senior] mark . . . notwithstanding the absence of competition between the parties or of

confusion as to the source of goods or services." *Id.* at 456 (*quoting* Model State Trademark Act § 12 (1964)). However, even the "likelihood of dilution" standard in the state statutes created interpretive problems for the courts. As the Fourth Circuit observed, because the state statutes required proof only of a "likelihood" of dilution, the courts that interpreted these statutes had not been required to articulate the exact nature of the economic harm contemplated by state dilution law.

The state courts' focus on "likelihood" of future harm led them either (1) to assume that mental association, causation, and harm *could be inferred* as a matter of fact (the very approach adopted by the Second Circuit in *Nabisco*), or (2) to assume that those elements could be *conclusively* presumed merely from proof of the identity or near-identity of the two marks (the apparent approach of the Sixth Circuit in this case, following *Nabisco*). *Id.* at 458. Accordingly, the Fourth Circuit observed that courts have not yet defined the economic harm to a senior mark's "selling power" even though they generally agree it is an essential element of statutory "dilution." *Id.*

The Fourth Circuit then considered the courts' experience with state dilution statutes in interpreting the FTDA. Because the FTDA proscribes conduct that "causes dilution" rather than conduct that which results in the mere "likelihood of dilution," and because the FTDA specifically defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services" (rather than the mere loss of "distinctiveness" itself), the Fourth Circuit reasoned that the FTDA makes plain that the end harm at which it is aimed is loss of a mark's selling power itself (*i.e.*, "the capacity" of a famous mark to identify and distinguish goods or services). Accordingly, the Fourth Circuit interpreted the FTDA to require proof of "an actual

lessening of the senior mark's selling power." *Id.* at 458. The Fourth Circuit further reasoned that to interpret the FTDA as protecting (as in Schechter's sweeping formulation) the senior mark's "distinctiveness" in the narrow sense of its singularity as a word symbol, would presume an unexpressed intention by Congress to create property rights in gross, unlimited in time, in "famous" trademarks. *Id.* at 459.

The Fourth Circuit explained why the FTDA cannot reasonably be interpreted to allow economic harm and its effective cause to be judicially presumed from proof of the mark's sufficient similarity alone. Some junior uses will have no effect at all upon a senior mark's economic value "whether for lack of exposure, general consumer disinterest in both marks' products, or other reasons." *Id.* at 460. And, it is not unreasonable to imagine that an occasional replicating use might actually *enhance* a senior mark's "magnetism" or selling power by drawing renewed attention to it "as a mark of unshakable eminence worthy of emulation by an unthreatening noncompetitor." In this sense, a replicating mark may occasionally operate in the marketplace as the "sincerest form of flattery." *Id.*

In *Westchester*, *supra*, the Fifth Circuit "endorse[d] the Fourth Circuit's holding that the FTDA requires proof of actual harm, since this standard best accords with the plain meaning of the statute." 214 F.3d at 670. The Fifth Circuit reasoned,

> There is a key difference between the state [dilution] statutes that formed the backdrop for passage of the FTDA and the FTDA itself. Whereas state [dilution] statutes incorporate, often expressly, the "likelihood of dilution" standard, the federal statute does not. [Citation omitted.] Instead, it prohibits any commercial use of a famous mark that "causes dilution"

> [*citing* §43(c)(1)]. Both the present tense of the verb and the lack of any modification of "dilution" support an actual harm standard.

Id. at 670-71.

B. The Second Circuit's Subjective "Likelihood of Dilution" Standard Is Grounded In Irrelevant And Unfounded Perceptions Of The Difficulty Of Proof Of Harm Required By The Fourth Circuit's *Ringling Bros.* Decision.

In following the rationale of the Second Circuit in *Nabisco*, the Sixth Circuit below construed the FTDA as allowing an "inference of likely harm" (Pet. App. 25a) thereby justifying only a mere "likelihood of dilution" under §43(c)(1). In doing so, that court read the legislative history of the FTDA to mean that Congress intended to permit a finding of dilution without a showing of actual harm, based on an "inference of harm" coupled with the mere similarity of the accused mark to the famous mark. Pet. App. 14a n.3, 25a.

Yet, just as the Sixth Circuit acknowledged the Fourth Circuit's "somewhat persuasive arguments" (Pet. App. 23a), other Circuit Courts that have rejected the Fourth Circuit's analysis of the "causes dilution" phrase of the FTDA have not contested the Fourth Circuit's reading of the FTDA. *See Nabisco,* 191 F.3d at 223 ("[T]he language of the statute gives some support to [the Fourth Circuit's] reading"); *Eli Lilly,* 233 F.3d at 466 ("In *Ringling Bros.*, the Fourth Circuit set out a cogent argument for a restrictive reading of the [FTDA] that requires the plaintiff to submit proof of actual economic harm").

Ignoring the Fourth Circuit's "cogent" and "somewhat persuasive" arguments, these Circuits improperly resorted

to unsubstantiated assessments of Congressional "intent" and "legislative history" to engraft into the FTDA language not found in the text of the statute. *See Nabisco,* 191 F.3d at 224 ("intent of the statute" should be given primacy over the literal words of the statute); *Eli Lilly,* 233 F.3d at 468 ("Congress could not have intended" proof of actual economic harm); and the Sixth Circuit's opinion below, Pet. App. 25a ("With such a broad remedy considered in the [FTDA's] legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable"). However, one searches in vain in the FTDA or its legislative history to locate such "intent."

The rationale employed by the Second, Seventh and Sixth Circuits only invites further subjective mischief by the courts in future dilution cases. *See* KIM at 720 ("[T]he circuits that follow the likelihood of dilution standard provide incentives for judicial irresponsibility, subjective intuition rather than law-based decision making, and statutory interpretative abuse, resulting in anti-competitive (and thus, anti-FTDA) effects").

In *Nabisco*, the Second Circuit considered but rejected the Fourth Circuit's holding that proof of dilution under the FTDA requires proof of an "actual, consummated harm," 191 F.3d at 223 (quoting *Ringling Bros.*, 170 F.3d at 464), concluding instead that "it seems plausibly within Congress's [sic] meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224. While it may be within Congress's *power* to do so, for the Second Circuit to say that it is within the FTDA's *meaning* is an assault on the text of the statute. Not only is this extrapolation of Congress' "meaning" without textual support in the statute or in the FTDA's (scant) legislative history, the Second Circuit's expansive reading of the FTDA runs afoul

of the plain language used by Congress in the statute. *See* SEITZ at 155 ("[T]he *Nabisco* court gave no support for its position. By ignoring the language of the statute it is the *Nabisco* court that is not following the intent of the statute").

The FTDA nowhere refers to "likelihood of dilution." As the Seventh Circuit admitted in *Eli Lilly*, the legislative history of the FTDA does not address whether the "causes dilution" requirement can be satisfied by evidence of a mere likelihood of dilution. 233 F.3d at 466-67. The Second Circuit chose to divine Congress' intent by other means. *See* SEITZ at 155 ("[T]he *Nabisco* court decided to read its own meaning into the statute so as to produce the outcome it desired").

The Second Circuit's *Nabisco* decision (and the Seventh and Sixth Circuit decisions adopting the *Nabisco* "likelihood of dilution" standard) appears to be based on a discovery of Congress' intent by focusing on the mere decision to create a right of action for trademark dilution. However, this ignores Congress' language ("causes dilution") enunciated in the statute. In its zeal to legitimize the federal dilution concept, the Second Circuit placed undue emphasis on the supposed burden undertaken by the plaintiff in FTDA cases. Thus, per the Second Circuit, the Fourth Circuit's view would subject the senior user to "uncompensable injury" because the statute could not be invoked until injury had occurred, at which time the senior user could not be compensated in damages absent a finding of willfulness pursuant to §43(c)(2) [15 U.S.C. § 1125(c)(2)]. But this view overlooks the actual words used by Congress in the statute.

Plainly under the FTDA, if the defendant's conduct "causes dilution," an injunction may issue. Given that Congress greatly expanded the scope of trademark rights

under the Lanham Act by enacting newly-created federal dilution rights in the FTDA, it is not unreasonable that Congress employed language delimiting the imposition of dilution liability. Even if the plain meaning of a statute makes a famous trademark owner's burden more difficult, it is improper for courts to ignore the plain language of the statute, as this Court has long recognized. *See Lake County*, 130 U.S. at 670; *see also Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 333 (1938) ("We have refused to nullify statutes, however hard or unexpected the particular effect, where unambiguous language called for a logical and sensible result"). Not only is such an approach improper under long-standing rules of this Court (*Rucker, Park 'N Fly, LaBonte, Lake County*, all *supra*), but the Second Circuit, in disavowing the FTDA's plain meaning, relied on unjustified assumptions.

First, the Second Circuit characterized the Fourth Circuit's rationale as "excessive literalism" to defeat (the Second Circuit's view of) the intent of the FTDA, which it assumed as "intending to provide for an injunction to prevent the harm before it occurs."[6] 191 F.3d at 224. The Second Circuit reached this conclusion apparently by assuming that an injunction is the primary remedy of the FTDA because damages are available only for willful conduct. *See id.* This fails to give effect to the FTDA's structure.

The FTDA contains separate and specific standards for injunctive relief and non-injunction remedies. Monetary relief is available for dilution, but only if the

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[6] By comparison, a trademark injunction based on a "likelihood of confusion" is authorized by the *specific language* of §32 or §43(a) of the Lanham Act, not mere judicial opining that Congress intended to prevent any such harm before it occurs.

defendant has "willfully intended . . . to cause dilution" of the mark. *See* §43(c)(2). That Congress chose to require willful conduct as a prerequisite for monetary relief does *not* make an injunction the "primary" remedy under the FTDA, nor does it require a reading of the statute that would make injunctive relief available upon a mere likelihood of dilution. Congress' selection of a higher standard of culpability to impose money damages is logically consistent with the creation of such a new and expanded property right in a famous trademark. It may be that injunctive and monetary relief standards under the FTDA put the plaintiff to a higher burden of proof than for traditional trademark infringement, but this is as it should be when Congress has created dilution as a new property right so different from traditional trademark rights.

Another incorrect assumption of the Second Circuit is that the concept of FTDA "dilution" is the same as Schechter's original exposition of dilution as "whittling away" the distinctive quality of the trademark at issue. Such a view inevitably leads to the Second Circuit's claim that an injunction is essential to prevent the harm of dilution from occurring. 191 F.3d at 224. However, C ngress did not define dilution with Schechter's "gradual whittling away" concept; it chose "lessening of the capacity" instead. Thus, the Second Circuit's fear that an actual harm standard would allow injunctions only after it is "too late" is unfounded.

In practice, the effect of the Second Circuit's "likelihood of dilution" standard is to allow the entry of a permanent injunction against alleged dilution without any showing of actual harm – somewhat akin to a prior restraint on commercial use of a trademark. Because the injury inherent in a likelihood of dilution standard is "speculative and therefore immeasurable," that standard

essentially gives trademark owners the power to block competition by forcing new entrants to settle. William Marroletti, *Note: Dilution, Confusion, or Delusion? The Need for a Clear International Standard to Determine Trademark Dilution*, 25 BROOKLYN J. INT'L L. 659, 689 (1999) ("MARROLETTI"). Under the Second Circuit's standard, an FTDA injunction is thus "not a remedy, but rather a recipe for senior entrenchment." KIM at 758.

The *Nabisco* rationale evinces discomfort with a remedy for dilution considered difficult to prove. In this regard, those courts (including the Sixth Circuit below) that follow the Second Circuit are not alone. Some trademark commentators have acknowledged the plain meaning of the statute, only to discard it because of their discomfort with the perceived difficulty of proving dilution. For example, Robert Klieger considers the actual harm requirement "an impenetrable barrier to any federal dilution action" inconsistent with Schechter's formulation that requires only incipient harm. KLIEGER at 840. However, Klieger ignores the fact that Schechter's rationale was not adopted. Instead, like the Second Circuit he postulates a Congressional intent (unstated in the legislative history) that "Congress did not intend to require . . . a showing of actual dilution." *Id.* However, such a conclusion flies in the face of the actual language used in the FTDA.

Commentators such as these take the same false step as the Second Circuit: namely, they succumb to the temptation to ignore clear statutory language in favor of a more comfortable result. This is little more than wishful thinking cloaked in the trappings of scholarly (and judicial) writing. Each sees what is perceived to be a "practical problem" resulting from adherence to the plain meaning of the statute, then each blithely brushes the plain meaning aside with an analysis of Congressional

"intent" that is superficial and devoid of essential support. But while this may be a privilege of commentators, this cannot be the proper province of the courts, as this Court has recognized: "[t]here is . . . no more persuasive evidence of the purpose of a statute than the words by which the legislature undertook to give expression to its wishes." *United States v. American Trucking Ass'ns*, 310 U.S. 534, 543 (1940).

The failure of the Second Circuit and the Sixth Circuit below to apply the plain meaning of the FTDA, and the decision of some commentators to embrace the rationale of the Second Circuit, is even less tenable when one considers the particular concerns expressed against the plain meaning of "causes dilution." The Second Circuit rejected, as "an arbitrary and unwarranted limitation on the methods of proof," the Fourth Circuit's requirement that the plaintiff must bring forth evidence of actual loss of revenues, or a skillfully constructed consumer survey. *Id.* at 224. However, commentators have explained that proof of actual harm can be adduced. For example, a gradual shift in revenue from the senior user to the junior user during the period in which the junior user first implemented the mark would indicate that the senior user's mark had been diluted. SEITZ, 155-56. Likewise, carefully tailored survey evidence can be marshaled to show whether a mark's ability "to convey quality and attribute associations" has been damaged. MARROLETTI at 690. Accordingly, "a plaintiff could attempt to show that this loss resulted in decreased sales. If shown, the decreased sales would be the result of the loss of the mark's selling power regardless of consumer confusion. Such survey evidence . . . would measure the harm of trademark dilution, truly separate from consumer confusion." *Id.* at 690-91.

Fearing a "battle of surveys," the Second Circuit gratuitously criticized consumer surveys as "expensive, time-consuming and not immune to manipulation." 191 F.3d at 224. The Seventh Circuit in *Eli Lilly* likewise distrusts customer surveys as "subject to manipulation." 233 F.3d at 468. Such criticism ignores the fact that customer surveys are routinely used in trademark infringement cases brought under the Lanham Act (*see* 3 GILSON § 8.11[1]), and can be used successfully in dilution cases. *See* Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COL. L. REV. 295, 314-17 (1998) ("BIBLE") (surveys are used frequently in litigation, and guidelines are provided in the Manual for Complex Litigation); Elliot B. Staffin, *The Dilution Doctrine: Towards A Reconciliation with the Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 160-61 (1995) (surveys could be used more frequently as evidence of dilution; "the criticism that the dilution doctrine is too ephemeral, does not address a real injury, and is incapable of empirical proof is not valid").

Moreover, the Seventh Circuit's distrust of surveys is based on its doubt that "dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully constructed survey." *Eli Lilly*, 233 F.3d at 468. This concern appears to be based on a misreading of FTDA dilution as mirroring Schechter's non-adopted "whittling away" concept. In fact, it is not "dilution of the distinctiveness of the mark" (the Schechter formulation) that is the definition of dilution under the FTDA; rather, the Congressional guidepost is "lessening of the capacity . . . to identify and distinguish goods and services."

Other trademark commentators have provided guidance regarding construction of a survey adequate to

prove actual harm under the FTDA. For claims of dilution by blurring, surveys may be a plaintiff's strongest and most persuasive evidence, because actual blurring can be rationally inferred based on the existence or nonexistence of mental associations between the two marks. *See* BIBLE at 314. Indeed, Professor McCarthy states that surveys presenting "the actual responses of a group of [relevant consumers] whose perceptions are at issue" provide a "more scientific means" of demonstrating dilution. 5 MCCARTHY § 32:158, at 32-243, 32-245 (2002). Surveys can be conducted so as to compare the recognition and association of consumers in the senior mark's channel of trade, who have been exposed to the junior mark, with those consumers who have not been exposed to the mark. KIM at 749.

For claims of tarnishment, commentators have stated that actual dilution can be demonstrated by using a two-cell product attribute survey, where the control cell is used to measure the attributes that consumers unfamiliar with the junior user's mark associate with the famous mark. The test cell measures the attributes that consumers who have been exposed to the junior user's mark associate with the famous mark. Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 121, 132 (1996). Additionally, tarnishment can be demonstrated by testimony from former customers, that they no longer purchase products or services from the plaintiff because they mistakenly believed that the quality of plaintiff's products has declined, attributable to the tarnishing activities of the defendant. *Id.* at 131-32.

C. THE SECOND CIRCUIT'S *NABISCO* STANDARD WILL PRODUCE "RIGHTS IN GROSS" IN FAMOUS TRADEMARKS, AND IS ANTI-COMPETITIVE.

The Fourth Circuit expressed grave concern that anything other than an "actual harm" standard under the FTDA would lead to a "property right in gross" in famous trademarks (*see Ringling Bros.*, 170 F.3d at 459). The Fourth Circuit also warned that the FTDA should not be read to create a right in the senior user to prohibit *any* substantially replicating mark. *See id.* ("We simply cannot believe that . . . Congress could have intended, without making its intention perfectly clear, to create property rights in gross, unlimited in terms (via injunction) even in 'famous trademarks'"); *see also Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Inc.*, 238 F.3d 378, 381 (CA5 2001) (dilution is an "extraordinary remedy"). Though the Second Circuit purported to agree with the Fourth Circuit to the effect that the statute should not be interpreted to create property rights in gross, *see* 191 F.3d at 224 n.6, the Second Circuit's standard of "likelihood of dilution" essentially prohibits *all* trademark uses similar to a famous mark. Thus, the Second Circuit's "agreement" with the Fourth Circuit that the dilution statutes do not create a property right in gross is illusory at best.

The Second Circuit also soft-peddled the anti-competitive effect of its "likelihood of dilution" interpretation by adverting to "many instances in which a junior use of a famous mark might not reduce the capacity of that mark to identify and distinguish products under the dilution statutes." *See id.* But a careful reading of the opinion discloses that the "instances" to which the Second Circuit was referring are those where the allegedly famous mark is not sufficiently "distinctive" at all; hence, such marks would be disqualified from FTDA relief in any event. *See id.* at 216, 219.

The Second Circuit also contended that there was no reason to preclude an inference of harm flowing from a finding of a likelihood of dilution, as in trademark infringement cases. 191 F.3d at 224 & n.5. This ignores the distinction between Congress' standard for trademark liability ("likely to cause confusion") as compared to its standard for dilution liability ("causes dilution") and thereby begs the initial question as to the appropriate standard for liability.

The Second Circuit thus relied on a non-existent analogy between traditional trademark infringement law and state dilution law on the one hand (both of which employ a standard of mere "likelihood" of confusion or dilution, respectively), and the FTDA on the other (which, properly read, utilizes an objective actual harm standard prohibiting conduct that "causes dilution").

The Second Circuit's interpretation thereby transformed dilution "apples" of the FTDA into fruit indistinguishable from "oranges" of traditional trademark law. However, it is clear from the language Congress used that there are important differences between the two. It is essential not to mingle these Lanham Act dilution "apples" and trademark "oranges" when determining the statutory prerequisites for the remedies accorded to each. Worse, the Second, Seventh and Sixth Circuits' collective error is not a mere confusion of apples and oranges; it is the express refusal to accept that Congress acted to plant an apple tree (*i.e.*, the FTDA statute providing that an injunction will issue only if the challenged mark "causes dilution") within an orange grove (*i.e.*, the preexisting Lanham Act provisions that require only a "likelihood of confusion").

To read the statute as requiring a showing of only a "likelihood of dilution," as did the Second Circuit in *Nabisco* (stretched even further by the Sixth Circuit below in allowing an "inference of likely harm"), does violence to

the plain language of the FTDA, and establishes a sweeping anti-competitive federal cause of action contrary to the words Congress used and for which there is no evidence Congress intended.

D. By Imposing A Standard For Relief Different From The Plain Meaning Of The FTDA, The Sixth Circuit Below Disregarded The Appropriate Roles Of The Legislature And Judiciary In Statutory Enactment And Interpretation.

In the District Court below, Respondents pejoratively portrayed the Moseleys as "sex shop" purveyors of "sex toys," "pornographic videos," and "adult novelty items." JA 136, 170-71, 180-81, 185, 187. As urged by Respondents, the District Court below engaged in a judge-inferred association between Petitioners' "unsavory" inventory compared to the (uncharacterized) inventory of Respondents in the minds of consumers. Pet. App. 39a. However, pejorative terms should not substitute as proof of the legal harm required by the "causes dilution" language of the FTDA. Nevertheless, without proof that the inferred association has caused damage, the Petitioners are subject to a permanent injunction from using Victor's given name in their business based on, as the Sixth Circuit below acknowledged, an "inference of likely harm." Pet. App. 25a. Under these circumstances, liability for "dilution" has been thereby subjected to the vagaries inherent in the oft-stated practical definition of "obscenity" expressed by Justice Stewart, noting that the Court was faced with the task of "trying to define what may be indefinable": "I know it when I see it." *Jacobellis v.*

Ohio, 378 U.S. 184, 197 (1964) (Stewart, J., concurring).[7] Unless limited by the plain meaning of the statute, the FTDA stands to become the next obscenity standard, chilling every business that seeks to use a mark similar to a famous trademark, no matter whether harm is caused or not.

The scant legislative history of the FTDA does not contravene the express language of the statute that requires a showing of harm that actually "causes dilution." Accordingly, resort to the legislative history to support a construction of §43(c)(1) as requiring a mere "likelihood of dilution" is both inappropriate and unavailing. The Sixth Circuit (as did the Second and Seventh Circuits before it) read the legislative history in a manner exceedingly friendly to FTDA plaintiffs. This Court should not accept such use of legislative history (which is never voted on by Congress) to divine Congress' intent as a substitute for focusing on the actual language used in the statute:

> [I]t must be assumed that what the Members of the House and the Senators thought they were voting for, and what the President thought he was approving when he signed the bill, was what the text plainly said, rather than what a few Representatives, or even a Committee Report, said it said. . . . This text is eminently clear, and we should leave it at that.

United States v. Taylor, 487 U.S. 326, 345 (1988) (Scalia, J., concurring in part).

Particularly troublesome in the reasoning of the Sixth Circuit is its reliance on an obscure and off-point case mentioned in the legislative history to ignore the plain meaning of the statute. *See* Pet. App. 24a. In the course of describing dilution, the House Report quotes a dated

[7] Justice Stewart, of course, erred on the side of excluding the motion picture at issue from liability. 378 U.S. at 197.

district court opinion, *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288 (S.D.N.Y. 1972), which has been misread by some as holding the "key" to determining the meaning of the statute. The House Committee Report, citing that case, states:

> Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

H.R. REP. NO. 104-374 at 3 (*quoting Mortellito*, 335 F. Supp. at 1296). This passage, a single quote from a federal district court applying a *state* dilution statute employing the broader "likelihood of dilution" standard, offers no principled guidance as to whether Congress intended the FTDA to be as broad as the underlying state law. Rather, this passage demonstrates the problems inherent in searching the legislative history, especially a history so sparse, for *any* reason to support a view of the statute.

The Sixth Circuit erred in its unquestioning application of *Mortellito* in divining the purpose of the FTDA. "Courts which engage in this practice are deceiving themselves and the parties involved into thinking that their decision is based on the FTDA, when it is in fact based on the state dilution statute used in the case they chose to cite." SEITZ at 157. Courts should be wary of such case citations in legislative history, considering the context by which such citations make their way into legislative history:

> Congress is elected to enact statutes rather than point to cases, and its Members have better uses for their time than poring over District Court opinions. . . . As anyone familiar with modern-day drafting of congressional committee reports is well aware, the references to the cases were inserted, at best by a committee staff member on

> his or her own initiative, and at worst by a committee staff member at the suggestion of a lawyer-lobbyist; and the purpose of those references was not primarily to inform the Members of Congress what the bill meant . . . but rather to influence judicial construction. What a heady feeling it must be for a young staffer, to know that his or her citation of obscure district court cases can transform them into the law of the land, thereafter dutifully to be observed by the Supreme Court itself.

Blanchard v. Bergeron, 489 U.S. 87, 98-99 (1989) (Scalia, J., concurring in part).

To rely on a single obscure, dated, and inapposite *state law* case reference such as *Mortellito* as evidencing Congressional "intent" to enact a *federal* "likelihood of dilution" standard, when the plain meaning of the words of §43(c)(1) mandate otherwise, is more of the same outcome-based reasoning evident in the opinions rendered by the Second, Seventh, and Sixth Circuits.

CONCLUSION

For the foregoing reasons, the Court should reverse the Sixth Circuit and enter judgment as a matter of law for Petitioners that VICTOR'S LITTLE SECRET has not been used and cannot be used in a manner that "causes dilution" of the famous VICTORIA'S SECRET mark.

Respectfully submitted,

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